

E-002/GR-89-865FOR HEARING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Application of Northern  
States Power Company for Authority to  
Increase its Rates for Electric Service in the  
State of Minnesota

ISSUE DATE: November 29, 1989

DOCKET NO. E-002/GR-89-865

NOTICE AND ORDER FOR HEARING

PROCEDURAL HISTORY

On November 2, 1989 Northern States Power Company (NSP or the Company) filed a petition seeking a general rate increase of \$120,782,000, or 10.2%, effective January 1, 1990. On November 29, 1989 the Commission issued its Order Accepting Filing and Suspending Rates in the matter.

A copy of the Company's rate increase proposal is on file in the offices of the Department of Public Service, 790 American Center Building, 160 East Kellogg Boulevard, St. Paul, Minnesota 55101 and is open for public inspection during regular office hours.

Copies are also available for public inspection at the Company's offices at 414 Nicollet Mall, Minneapolis; 2302 Great Northern Drive, Fargo, North Dakota; 421 Wabasha St., St. Paul; 825 Rice Street, St. Paul; 1700 East County Road E, White Bear Lake; 3000 Maxwell Avenue, Newport; 2763 First Avenue Northwest, Faribault; 3920 Pepin Avenue, Red Wing; 3515 Third Street North, St. Cloud; 5050 Service Drive, Winona; 500 West Russell Street, Sioux Falls, South Dakota; 4501 68th Avenue North, Brooklyn Center; 5309 West 70th Street, Edina; 210 Lime Street, Mankato; 5505 County Road 19, Shorewood; 1505 Washington Avenue, Montevideo; and 3115 Centerpoint Drive, Roseville.

## FINDINGS AND CONCLUSIONS

### **I. Jurisdiction and Referral for Contested Case Proceedings**

The Commission has jurisdiction over proposed rate changes under Minn. Stat. § 216B.16 (1988). If the Commission is unable to resolve all significant issues regarding the reasonableness of the proposed rates on the basis of the filing itself, the Commission is to refer the matter to the Office of Administrative Hearings for contested case proceedings. Minn. Stat. § 216B.16, subd. 2 (1988).

The Commission finds that it cannot satisfactorily resolve all questions regarding the reasonableness of the proposed rates on the basis of the Company's filing. The Commission will therefore refer the matter to the Office of Administrative Hearings for contested case proceedings.

### **II. Proposed Rates**

The Company proposes that any final rate increase be allocated by customer class as follows:

Residential	10.2%
Commercial and Industrial	10.2%
Public Authorities	11.6%
Street and Area Lighting	10.2%
Other (Late Pay, Misc. Service)	21.6%
Overall	10.2%

The Commission has suspended the Company's proposed rates by separate Order. By further Order, the Commission will direct the Company to place an interim rate schedule into effect. Interim rates are subject to refund if the Commission ultimately orders a lower overall revenue increase than is recovered through interim rates. Minn. Stat. § 216B.16, subd. 3 (1988).

### **III. Issues to be Addressed**

Parties shall address the following issues in the course of the contested case proceedings ordered herein:

- (1) Is the test year revenue increase sought by the Company reasonable or will it result in unreasonable and excessive earnings by the Company?
- (2) Is the rate design proposed by the Company reasonable?
- (3) Is the amount built into the Company's base rates for its test year conservation program reasonable, given actual and projected levels of spending?
- (4) Are the Company's proposed capital structure and return on equity reasonable?

The parties may also raise and address other issues relevant to the Company's proposed rate increase.

#### **IV. PROCEDURAL OUTLINE**

**Administrative Law Judge** -- The Administrative Law Judge assigned to this case is Richard C. Luis. His address and telephone number are as follows: Office of Administrative Hearings, Fifth Floor, Flour Exchange Building, 310 Fourth Avenue South, Minneapolis, Minnesota 55415; (612) 349-2542.

**Hearing Procedure** -- Hearings in this matter will be conducted in accordance with the Administrative Procedure Act, Minn. Stat. §§ 14.57-14.62 (1988); the rules of the Office of Administrative Hearings, Minn. Rules, parts 1400.5100 to 1400.8400; and, to the extent that they are not superseded by those rules, the Commission's Rules of Practice and Procedure, Minn. Rules, parts 7830.0100 to 7830.4400. Copies of these rules and statutes may be purchased from the Documents Section of the Department of Administration, 117 University Avenue, St. Paul, Minnesota 55155, (612) 297-3000.

Under these rules parties may be represented by counsel, may appear on their own behalf, or may be represented by another person of their choice, unless otherwise prohibited as the unauthorized practice of law. They have the right to present evidence, conduct cross-examination, and make written and oral argument. Under Minn. Rules, part 1400.7000, they may obtain subpoenas to compel the attendance of witnesses and the production of documents.

Any party intending to appear at the hearing must file a notice of appearance (Attachment A) with the Administrative Law Judge within 20 days of the date of this Notice and Order for Hearing. Failure to appear at the hearing may result in facts and issues being resolved against the party who fails to appear.

Parties should bring to the hearing all documents, records, and witnesses necessary to support their positions. They should take note that any material introduced into evidence may become public data unless a party objects and requests relief under Minn. Stat. § 14.60, subd. 2 (1986).

Any questions regarding discovery under Minn. Rules, parts 1400.6700 to 1400.6800 or informal disposition under Minn. Rules, part 1400.5900 should be directed to Jon Kingstad, Special Assistant

Attorney General, 780 American Center Building, St. Paul, Minnesota 55101 (612) 296-0413.

The times, dates, and places of public and evidentiary hearings in this matter will be set by order of the Administrative Law Judge after consultation with the Commission and intervening parties.

**Intervention** -- Persons wishing to become formal parties to this proceeding shall promptly file petitions to intervene with the Administrative Law Judge. They shall serve copies of such petitions on all current parties and on the Commission. Minn. Rules, part 1400.6200.

**Prehearing Conference** -- A prehearing conference will be held in this matter on Thursday, December 21, 1989 at 9:30 a.m. in the Small Hearing Room at the Commission offices, 715 American Center Building, 150 East Kellogg Boulevard, St. Paul, Minnesota 55101.

Persons intending to intervene in the matter should attend the conference, prepared to discuss time frames and scheduling. Other matters which may be discussed include the locations and dates of public hearings, discovery procedures, and similar issues.

**Time Constraints** -- The Commission is required to act on the Company's filing within ten months, or the proposed rates are deemed approved. Minn. Stat. § 216B.16, subd. 2 (1988). This ten-month period can be extended for two months, if the parties submit a settlement which is rejected by the Commission. Minn. Stat. § 216B.16, subd. 2 (1988).

The Commission asks the Office of Administrative Hearings to conduct contested case proceedings in light of these time constraints and requests that the Administrative Law Judge submit his final report by July 5, 1990, to allow the Commission adequate opportunity for thorough consideration of the case.

**Application of Lobbying Provisions** -- The lobbying provisions of the Ethics in Government Act, Minn. Stat. §§ 10A.01 et seq., apply to general rate cases. Persons appearing in this proceeding may be subject to registration, reporting, and other requirements set forth in that Act. All persons appearing in this case are urged to refer to the Act and to contact the Minnesota Ethical Practices Board, telephone number (612) 296-1720, with any questions.

**Ex Parte Communications** -- Restrictions on ex parte communications with Commissioners and reporting requirements regarding such communications with Commission staff apply to this proceeding from the date of this Order. Those restrictions and reporting requirements are set forth at Minn. Rules, parts 7845.7300-7845.7400, which all parties are urged to consult.

### ORDER

1. A contested case proceeding shall be held on the Company's proposed rate increase. The proceeding shall begin with a Prehearing Conference on Thursday, December 21, 1989 at 9:30 a.m. in the Small Hearing Room at the Commission offices, 715 American Center

Building, 150 East Kellogg Boulevard, St. Paul, Minnesota 55101.

2. This Order will be served on the Company, which shall mail copies of the Order to all municipalities and counties in its service area and to such other persons as the Department of Public Service may request.
3. Public hearings shall be held in this matter at locations within the service area of the Company.
4. In addition to the notices of the proposed change in rates required by the Order Accepting Filing and Suspending Rates, the Company shall give the following notices of the evidentiary and public hearings:
  - a) Individual written notice to each customer, which may be in the form of a bill insert, and shall be served at least ten days before the first day of hearings.
  - b) Written notice to the governing bodies of all municipalities and counties in the area affected and to all parties in the Company's last two rate cases. These notices shall be mailed at least ten days before the first day of hearings.

c) Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within the Company's service area. These advertisements shall appear at least ten days before the first day of hearings. They shall include the heading **RATE INCREASE NOTICE**, which heading shall appear in bold face type no smaller than 30 points.

d) The above notices shall contain the information required in Minn. Rules, part 7830.3200, subp. 2. The Company shall submit proposed notices for Commission approval prior to publication or service.

5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Lee Larson  
Acting Executive Secretary

(S E A L)

ATTACHMENT A

BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS

Fifth Floor, Flour Exchange Building  
310 South Fourth Avenue  
Minneapolis, Minnesota 55415

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION

780 American Center Building  
160 East Kellogg Boulevard  
St. Paul, Minnesota 55101

In the Matter

MPUC Docket No. E-002/GR-89-865

OAH Docket No.

NOTICE OF APPEARANCE

Date of Hearing: December 21, 1989, 9:30 a.m.

Name and Telephone Number of Administrative Law Judge:

Richard C. Luis  
612/349-2542

TO THE ADMINISTRATIVE LAW JUDGE:

You are advised that the party named below will appear at the above hearing.

NAME OF PARTY:

ADDRESS:

TELEPHONE NUMBER:

PARTY'S ATTORNEY OR OTHER REPRESENTATIVE:

OFFICE ADDRESS:



TELEPHONE NUMBER:

SIGNATURE OF PARTY OR ATTORNEY: \_\_\_\_\_

DATE: \_\_\_\_\_